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FM AMEMBASSY ASMARA  
TO RUEHC/SECSTATE WASHDC PRIORITY 8892  
RUCNIAD/IGAD COLLECTIVE  
RUEHKM/AMEMBASSY KAMPALA 1061  
RUEHLO/AMEMBASSY LONDON 1370  
RUEHFR/AMEMBASSY PARIS 1548  
RUEKJCS/SECDEF WASHDC  
RUEAIIA/CIA WASHDC  
RUEKDIA/DIA WASHDC  
RUEPADJ/CJTF-HOA J2X CAMP LEMONIER DJ

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SUBJECT: HOT AND DRY IN KEREN: THE LOCAL ECONOMY SHRIVELS UP

¶1. On a recent trip to Keren, Embassy employee observed that Eritrea's economic crisis appears more acute outside of the capital city of Asmara. Keren sits 91 km northwest of Asmara in the Anseba Zone. With a population of 120,000, Keren is a major agriculture center of Eritrea, particularly for fruits and vegetables. At this time of year, the farming areas near Keren should be green and lush, however the farmland is noticeably dry and dusty. A lack of rain has created a severe water shortage, resulting in long queues of individuals fetching water for daily use. In addition, as most water pumps require diesel to operate, a shortage of diesel has dramatically diminished the farmers' ability to irrigate.

¶2. Signs of economic strain were also evident in the government food shops which maintain a minimal inventory of basic items such as sugar, pasta, coffee, maize, cooking oil and lentils which are rationed at point of sale at subsidized prices. However, due to last year's poor harvest and lack of profits, many farming families do not have the resources to purchase the basic staples, even at subsidized prices. Local hotel workers told Embassy employee that since mid-2005 most of the hotels remain vacant, with entire floors going unused for months for lack of tourists. In addition, hotel staff commented that two-thirds of their coworkers have lost their jobs in recent months. Beneficiaries of loans received under USAID's Humanitarian Assistance Relief Program (HARP) also commented on their economic difficulties, noting that they are unable to earn enough money from their work to both support their families and pay off the loan.

¶3. Comment: Reports from the field give an early indication of a drought that could result in an extremely poor crop in the fall. The early rains in April and May in Anseba and Gash Barka fell short of expectations and the Anseba Region has become nearly a desert. With the decreased and erratic rainfall, residents are increasingly reliant on groundwater resulting in a falling of the groundwater table and burdening already limited well resources. As a result, local water experts from UNICEF, the GSE's Office of Water Resources and the Ministry of Agriculture have all articulated an urgent need for a thorough groundwater assessment. Farmers near Asmara have also commented on an impending crisis as the "small rains" of April were smaller than usual. If rain does not come in the next few weeks, many Eritrean farmers speculate they are at risk of losing all of their crops. Combining a local food crisis with the hard currency challenges will add another strain an already stressed economy and further aggravate a thoroughly frustrated population. End Comment.

